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ASSPORT  
FACES THE CHALLENGES  
OF THE FUTURE.

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# THE MOST SERIOUS CHALLENGE FACING MASSPORT IS GROUND ACCESS. Massport turned 25 years old in 1984.

During that quarter century, we contributed enormously to the growth and attractiveness of New England. But success, as it often does, has also created new challenges.

The most severe of those challenges may well be ground access. The congestion on the downtown roadway system threatens the future of all our properties, but none so acutely as Logan International Airport.

The increasing use of Logan by passengers and shippers continues to place heavy burdens on major highways—such as the Central Artery—as well as on residential streets near the airport and on the airport roadway itself. We are meeting this challenge on many fronts.

One-way tolls provided some relief, development of new water-taxi service from downtown Boston will also help, and a major effort to encourage non-automobile use of Logan is about to begin.

But the most significant relief is also the least immediate: the state's \$2.2 billion Artery-Tunnel proposal now pending in Congress. This 10-12 year project is critical to effective use of every one of our downtown Boston facilities, from the Tobin Bridge to the seaport, from our newly recycled waterfront properties to Logan Airport. We are, therefore, major partners with the Commonwealth in moving the Artery-Tunnel project forward.

Ground traffic is also a growing concern at our suburban airport, Hanscom Field, which has become a significant resource to the successful high technology firms that surround it. We are working with Hanscom's residential neighbors and commercial users to assure quiet, orderly growth and better ground access at the airport.

The future of Massport is every bit as challenging as the past. We are confident that, by meeting the challenge of ground access, Massport will remain what we have been for the past 25 years:

A powerful, responsible force for economic progress for the people of New England."



David W. Davis  
Executive Director  
Massport, The Massachusetts  
Port Authority

State Library of Massachusetts  
State House, Boston











**LOGAN INTERNATIONAL AIRPORT: GUARANTEE ACCESS TO THE REGION'S FASTEST GROWING AND MOST VALUABLE TRANSPORTATION RESOURCE.** Boston's Logan International Airport served 18.4 million passengers in fiscal 1984, a nine percent gain over the previous period. In calendar 1983, Logan grew faster than all but one of the nation's top ten airports, continuing a five-year trend which has seen Boston passenger traffic grow by nearly 32 percent since airline deregulation.

Currently the 11th busiest airport in the world in passenger volume, Logan has benefitted substantially from heightened airline competition and a healthy Massachusetts and regional economy. Six airlines, including two foreign flag carriers, entered or re-entered the Boston market in fiscal 1984; commuter passenger traffic grew almost 32 percent; and overall flight activity was up nearly 14 percent.

While this heightened activity is causing air traffic delays at most major American airports, Logan has not experienced the airspace constraints of many large hubs. Boston's principal concerns are on the ground—in the terminals, on the roadways and access highways, and in the parking areas. As various parties work to resolve national air traffic issues, Massport is launching a comprehensive effort to deal with Boston's special groundside problems.

A \$25.6 million renovation of the busiest and oldest Logan terminal, Terminal C, is underway to better serve the nearly 10,000 passengers who fly Delta, TWA, and United in and out of Boston each day. The two-year project will ease automobile access to the terminal, streamline ticketing and baggage handling, and provide improved passenger amenities.

Ground access was improved by the permanent adoption of one-way tolls for the airport tunnels and Tobin Memorial Bridge, a change that reduced tunnel congestion and improved tunnel revenues without raising toll charges. The airport roadway system was also redesigned to eliminate traffic signals and the delays they produced.

Massport has developed a new ground transportation strategy to encourage alternatives to private passenger car trips to and from Logan. The program involves in-depth traveller surveys to determine preferences, upgraded ground transportation services (bus, taxi, and limousine; remote parking; harbor ferry service), and an aggressive marketing campaign aimed at frequent flyers.



LOGAN AIRPORT TERMINALS



LOGAN SHUTTLE BUS



Longer range, Massport continued its partnership with the Commonwealth of Massachusetts to assist the State in obtaining \$2.2 billion in federal funds for a widened and depressed Central Artery and a new harbor tunnel joining the airport to Boston's South Station area. Once federal approvals have been secured, the Artery-Tunnel project will take 10-12 years to complete, after which ground access for Logan Airport will be assured well into the 21st century.





**LOGAN SOUTH: MAKE WISE USE OF THE LAST PARCEL OF AIRPORT PROPERTY AVAILABLE FOR DEVELOPMENT.** Logan South, a 90-acre parcel in the southwest corner of Logan International Airport, is now in active use following several years of intense development by Massport.

Logan South's importance as the region's major air cargo center has continued to grow. Logan handled almost 640 million pounds of air cargo in fiscal 1984, a 17 percent increase over the previous period. To keep pace with this rising demand, Massport has invested over \$20 million in site preparations, new aircraft aprons, and new roadways in the past several years to ready 70 acres of Logan South for modern airfreight operations.

In 1984, Massport's investment began to pay dividends: Northwest Orient opened its new \$4.5 million state-of-the-art air cargo building, servicing two 747 freighters daily. Federal Express also began operating out of its new facility at Logan South and has begun design of an \$11 million small package sorting center which Massport hopes will become Federal's U.S.-to-Europe hub.

In addition, a general use cargo apron, managed by Air General, an independent apron operations firm, was made ready and is now in daily use by several important Logan carriers.

Logan South is also home to the new Amelia Earhart General Aviation Terminal, which Massport built to serve Boston's growing private and corporate aircraft community. An increase in the minimum landing fee was necessary to reflect the cost of building the terminal and providing other services to Boston's general aviation industry.



The remaining 20 acres of Logan South is a private development known as the Massachusetts Technology Center, a \$130 million low-rise office-industrial complex. The developer, Macomber Development Associates of Boston, recently completed construction of the first high-technology building, and the first tenant, Ogden Services, has taken occupancy.

Working with local residents, Massport began construction of a new harborwalk and waterfront park near the Tech Center. Offering spectacular views of the Boston skyline, the new landscaped pedestrian way provides waterfront access and recreational space for the people of East Boston as well as for airport tenants, employees, and visitors.

Massport also started work on docking facilities at Logan South for a cross-harbor water-taxi service linking downtown Boston to the airport.





AIR CARGO OPERATIONS

**N**OISE ABATEMENT: MOVE BEYOND CONVENTIONAL AIRPORT NOISE EFFORTS TO INNOVATIVE PROGRAMS TO GIVE LOGAN'S NEIGHBORS RELIEF. Massport has demonstrated that, at Logan International Airport, concern for the environment is not incompatible with the operation of a successful airport. Moreover, Massport's noise abatement efforts are among the most innovative in the nation.

The first Federal Aviation Administration soundproofing grant in the U.S. was the East Boston High School. Selected by Massport for a joint FAA-Massport demonstration project completed in 1983, its success led to Massport's winning additional FAA funds to soundproof three more public schools in communities neighboring Logan Airport in 1984. In 1985, another 14 schools will be soundproofed with over \$2 million in FAA and Massport funds.

Residential soundproofing is being tested in a pilot program financed by Massport to determine the most effective noise reduction measures in areas acutely affected by airport operations.

A computer-aided preferential runway advisory system, PRAS, is in its second year of testing in the Boston air traffic control tower. Developed by the airlines, the FAA, pilots, community representatives, and Massport, PRAS is a runway noise-sharing program which offers controllers guidelines for runway use in good weather conditions—75 percent of the time.

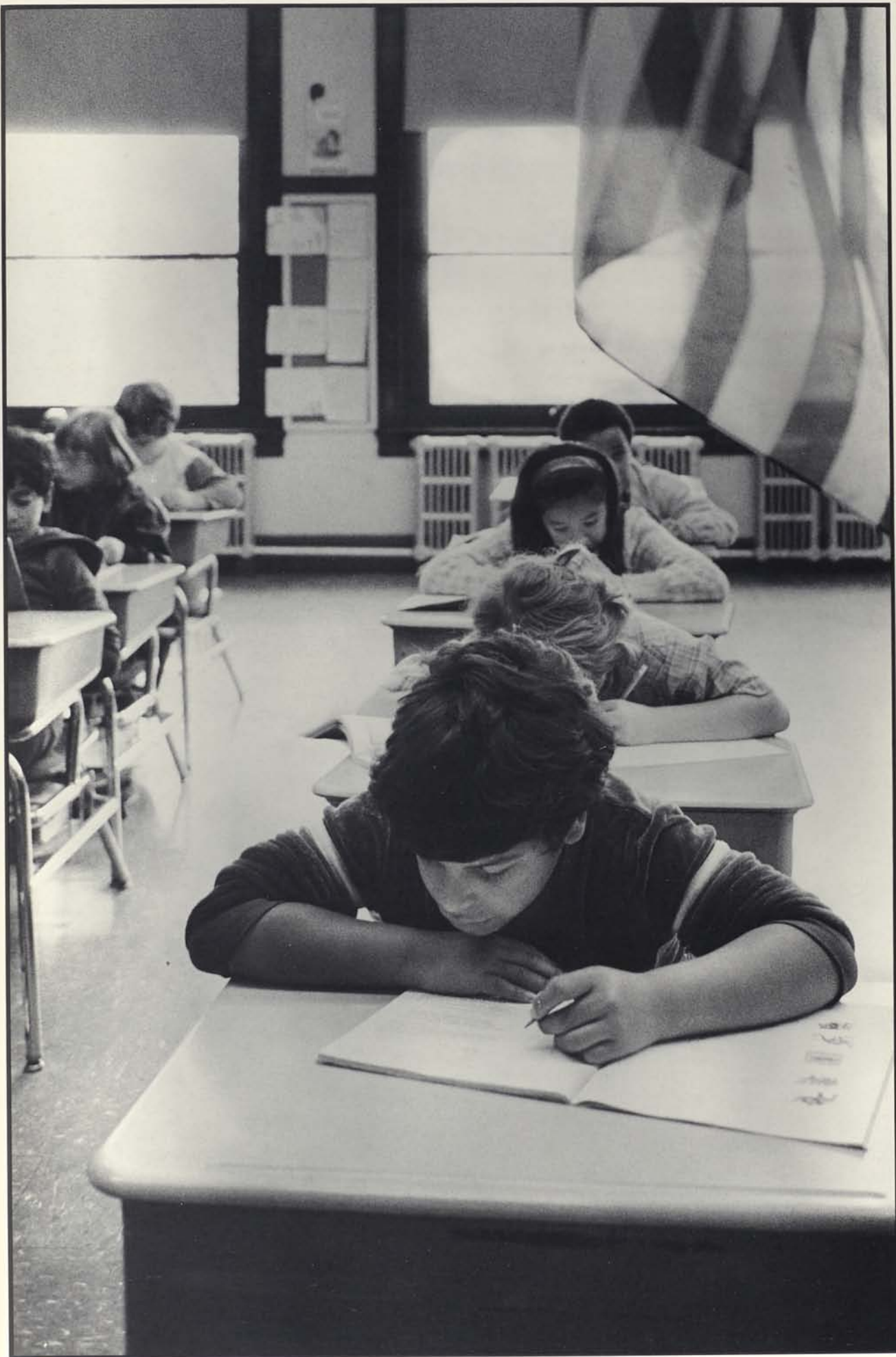
Massport continued its Neptune Road program, aimed at relocating residents of an area of East Boston which is less than 2,000 feet from a Logan Airport runway. Massport has relocated 140 families and physically moved five homes from Neptune Road to safer, quieter areas over the last ten years. The latest step in the program was Massport's decision to divest itself of five acres of East Boston land and create a \$3 million fund to assist the remaining Neptune Road families to move into two-family homes to be built on the land formerly owned by the Authority.

As Logan International Airport continued to enjoy sustained growth in operations, passengers, and air service, its compliance with federal noise standards (Part 36) reached 84 percent—nine points better than the national average and six points ahead of the previous fiscal year's end measurement.



SHURTLEFF SCHOOL, CHELSEA, MA





**HANSCOM FIELD: SERVE THE REGION'S FASTEST GROWING INDUSTRY WHILE REMAINING SENSITIVE TO THE AIRPORT'S NEIGHBORS.** Located 18 miles northwest of Boston, Massport's Hanscom Field is surrounded by some of the region's and the nation's most important high technology firms. Nearly 400 corporations take advantage of the airport's facilities, reflecting the exceptional convenience of Hanscom, which is also used by private aircraft owners and flight training schools.

private aircraft owners and flight training schools.

In keeping with Hanscom's growing importance as the state's premier general aviation airport serving the high technology industry, Massport undertook a number of airfield improvements during fiscal 1984. Over \$1 million was spent to rehabilitate and groove major runways, construct a new taxiway, and resurface apron areas. A major investment was made in new snow removal equipment to assure reliable service for the airport's corporate and commercial users. A new instrument landing system is also being added to the airport's second major runway, enhancing Hanscom's accessibility, especially during inclement weather.

The second busiest airport in New England, Hanscom civilian operations totalled 229,000 in fiscal 1984. While flight activity has risen steadily, the most recent measurements showed noise levels were constant. This stability in noise resulted from greater use of Part 36 aircraft at the airport and from Hanscom's noise rules, which discourage nighttime flights.

Working with communities surrounding the airport, Massport committed funds to a special study to seek solutions to ground traffic problems generated by increased private commercial development in the Hanscom area. The study will lead to development of a comprehensive planning strategy for major roadway improvements to assure orderly growth and improved ground access in the Hanscom Field area.



HANSCOM FIELD











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**P**ORT OF BOSTON: CAPTURE THE LION'S SHARE OF THE MOST VALUABLE SEAPORT CARGO IN AMERICA, NEW ENGLAND'S. New England generates approximately two million tons of waterborne cargo annually. Reflecting the region's technological leadership, this cargo is the most valuable in the nation (average value nearly \$3,000 per ton).

However, less than one-half of New England's seaport shipments travel through the Port of Boston, as shippers use ports in New York, Canada and the West Coast. To capture a greater share of the region's trade, Massport pursued a three-part strategy over the past six years.

First, Massport spent more than \$50 million to develop and improve its public terminals, including the \$19.5 million Berth 11 at Conley Terminal, which opened in April of 1984, and \$17 million to date on Massport Marine Terminal, which began receiving cargo in May of 1984.

Second, Massport sought to offer New England shippers better service at more competitive rates. In February of 1984, a new labor agreement was reached which ties staffing levels to productivity and a new era of stability and cooperation was established. This agreement, along with changes in operational responsibility, allows Massport to strengthen Boston's competitive position with other ports.

Third, Massport launched a new marketing effort directed toward steamship lines and New England shippers, promoting Boston's unique ability to serve the special needs of the region.



CONLEY TERMINAL



MYSTIC PIER I

The strategy has begun to produce results: Massport's terminals worked 894,813 tons of cargo in fiscal 1984—an improvement of 9.5 percent over the previous period. Growth was particularly strong in the last quarter of the year when cargo handled increased 21 percent over the fourth quarter of fiscal 1983. The number of containers handled at Conley Terminal increased a dramatic 54 percent; the terminal also received over 70,000 imported automobiles.

At Moran Terminal, BCR Lines began new container service to Northern Europe in May of 1984. The world's second largest container carrier, Evergreen Lines, increased its service between Boston and the Far East. The first newsprint shipment to pass through the Port in 12 years was delivered to Mystic Pier I adjacent to Moran; the 7,000-ton order from Canada was the first of 6-8 newsprint shipments expected to arrive each year.



Massport Marine Terminal, under a lease agreement involving the City of Boston, Massport, and a private automobile distributors firm, will be used to process some 55,000 imported cars annually, providing employment and revenue on the waterfront.







**MASSPORT'S OLDER PIERS: ATTRACT PRIVATE INVESTMENT TO REVITALIZE THE BOSTON WATERFRONT.** Massport is responsible for several waterfront properties which are no longer useful for modern maritime operations. The Authority's Real Estate Development Department works with the private sector to recycle these piers for productive uses.

At Commonwealth Pier, construction has begun for BOSCOM, an innovative market center for the computer and communications industries. BOSCOM's original plan for a fully-integrated, open showroom space has been revised to include closed showroom and supporting office space, a decision that has proved popular with both contracted and prospective high technology clients. In addition, BOSCOM has now received full financing under a new joint-venture agreement involving Fidelity Group, Monarch Capital Corporation, John Drew, and Peter and William O'Connell. This new partnership provides \$73 million for the BOSCOM center, which will open its doors in 1986.

Massport is supporting BOSCOM's renewed momentum by rebuilding the roads, pedestrian walkways, sewers, parking areas, and other support systems for Commonwealth Pier and the surrounding waterfront. These necessary improvements in the infrastructure of the Northern Avenue area will support both BOSCOM and the excursion and passenger boat activity that will continue to be an important feature of the Commonwealth Pier development plan.



CONSTITUTION PLAZA

Massport is considering a plan to shift docking facilities for large cruise ships, now handled at Commonwealth Pier, to the nearby Boston Army Base. Under this plan, Commonwealth Pier would continue to accommodate smaller craft, including commuter, ferry boat, and harbor cruise vessels.

At Hoosac Pier, a joint development team has invested \$18.5 million to create Constitution Plaza, a two-building office and restaurant complex facing the historic U.S.S. Constitution warship. The project also includes a modernized and expanded marina as well as a waterfront walkway, with benches and parking, along the pier face.

At the Boston Fish Pier, Massport continued its revitalization of the local fishing and fish processing industries. While fish landings were down during fiscal 1984, the volume of fish processing increased over 33 percent. The Fish Pier gained its first non-fishing tenant when a design firm, Lehman and Millet, leased top floor space in an area not suited for fish processing. Rental income from the 80,000 square feet of Pier area available to commercial tenants is used to support the Pier's fishing operations.





BOSTON FISH PIER

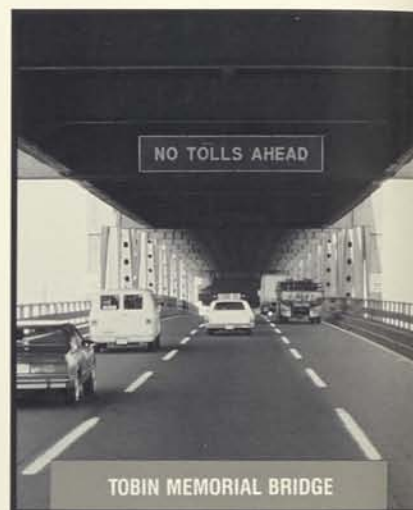
## TOBIN MEMORIAL BRIDGE: REMAIN A VITAL LINK IN THE REGION'S CONSTRAINED GROUND TRANSPORTATION SYSTEM.

In August of 1983, following a successful tryout, the Massport Board voted to make one-way tolls permanent at its Tobin Memorial Bridge. The action paralleled a similar vote by the Massachusetts Turnpike Authority for its Callahan and Sumner Tunnels leading to and coming from Logan Airport.

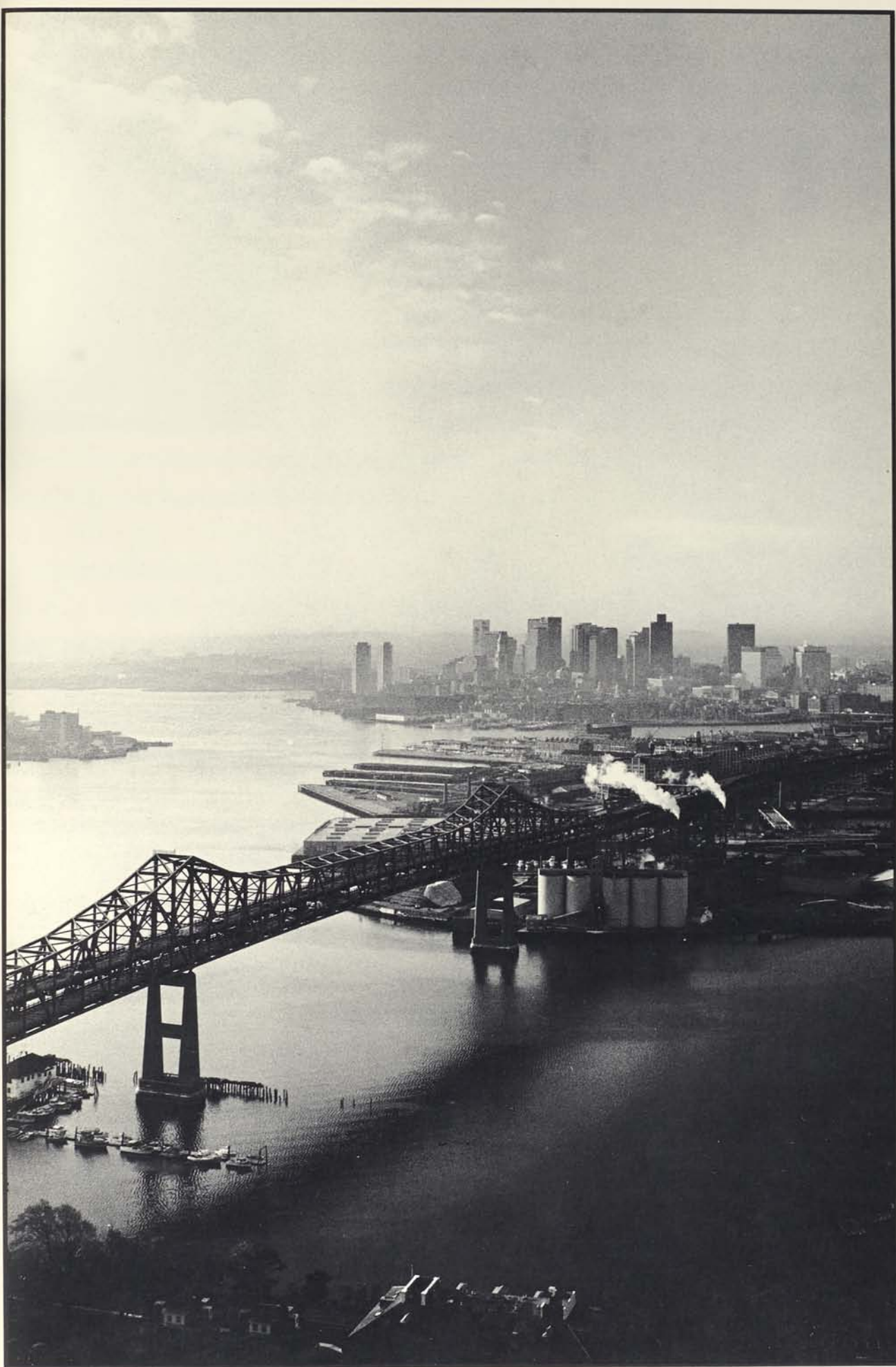
Sponsored by the State Department of Transportation, the one-way collection system produced the desired results: easier access to the airport, one less stop for northbound commuters using the Bridge and Tunnels, and no loss of jobs at either Authority.

Bridge revenues increased nearly 1 percent and traffic 5.6 percent; Bridge crossings during fiscal 1984 were 28.1 million vehicles. Furthermore, Turnpike/Tunnel revenues and traffic were up over the previous fiscal year by 4.3 percent and 2.8 percent respectively.

Massport entered the final stages of a seven-year program of repainting portions of the 2.4-mile long Bridge using non-lead based paint. The repainting is estimated to cost the Authority approximately \$13 million. As part of this project, Massport has continued to fund and conduct a blood lead screening program for residents of Chelsea; more than 1,000 residents have received free blood tests.







## RESPONSIBLE ORGANIZATION: PROVIDE EQUAL OPPORTUNITY, SUPPORT NEIGHBORING COMMUNITIES, BE A GOOD NEIGHBOR.

**A** For the sixth consecutive year, Massport made voluntary *in lieu* of tax payments to municipalities adjacent to Authority properties. The cities of Boston and Chelsea and the town of Winthrop received a total of \$5.3 million during fiscal 1984, bringing the combined payments by Massport to \$27 million.

Additional support was provided by Massport to



community and school groups, including a summer jobs pro-

gram for young people in Logan's "impacted" communities as well as technical and financial assistance to improve the French Square area of Winthrop.

One-fourth of the Massport workforce lives in communities defined as impacted, and the Authority is developing a purchasing policy to reflect its interest in supporting businesses in these communities.

Massport's commitment to equal opportunity is serious and real: Nearly 23 percent of the Authority's employees and 24 percent of its professional and administrative staff are female. Racial minorities comprise 12 percent of the Massport workforce and the same percentage of its professional and administrative staff.

A special set-aside program involving businesses owned by women and minorities produced \$5.2 million in Massport contracts in fiscal 1984. Three new concessions at Logan Airport's Terminal C will be minority-owned. And, Massport is initiating a unique jobs program in which women and minorities are employed by the Authority's tenants.





## ADMINISTRATION AND FINANCE: CONTINUE TO MANAGE

## MASSPORT'S RESOURCES WELL ENOUGH TO TAKE ON NEW CHAL-

**LENGES.** Massport succeeded in launching virtually all of its fiscal 1984 development activities. Moreover, the Authority undertook \$27 million in capital expenditures during the period. Looking ahead to fiscal 1985, a five-year, \$318 million commitment will be met to maintain and improve facilities and operating systems.

The Authority continued to pursue its revenue diversification strategy, aimed at even greater financial stability. In addition to revenues from Logan, rental income is anticipated at Constitution Plaza, BOSCOM, and the Fish Pier.

Massport took advantage of its strong cash position in fiscal 1984 to defease \$54 million in bonds at excellent rates. This move, which was made in response to complex changes in federal tax laws, allowed Massport to secure a long-term advantage in controlling its cost of capital. The defeasance resulted in AAA ratings and significant benefits to the holders of some of Massport's bonds, as well as to users and tenants who enjoyed reduced costs.

The Massport Board agreed to a one-year contract under which the Authority would manage the new State Transportation Building in Boston's Park Square. Massport relocated its central offices to the \$90 million structure in the fall of 1984, joining the States's other major transportation authorities and agencies. Massport's new offices are fully automated with modern telecommunications and computer systems.

The Legislature approved the leasing of retail space on the Transportation Building's ground floor, moving the entire enterprise closer to the vision of a multi-use, innovative structure which integrates state transportation activities and contributes to the revitalization of the surrounding area.



STATE TRANSPORTATION BUILDING



## MASSPORT BOARD MEMBERS.

The Massport Board consists of seven members appointed by the Governor of Massachusetts to staggered terms of seven years each. Members serve without compensation.



**Robert M. Weinberg**, Chairman, is a real estate developer in Boston. Reappointed to chairmanship in July, 1984. Term expires 1991.



**Jacquelyn R. Smith** is financial manager of Bicknell and Smith, a law firm in Cambridge, Massachusetts. Term expires 1987.



**E. Paul Robsham** is president of Robsham Industries, a real estate development firm in Framingham, Massachusetts. Term expires 1988.





**John A. Vitagliano**, Vice Chairman, is a special consultant on transportation issues to the Executive Office of Transportation and Construction for the Commonwealth of Massachusetts. Term expires 1985.



**Charles M. Raso** is business manager of the Bricklayers and Allied Craftsmen Union, Local #3, in Boston. Term expires 1986.



**Miguel A. Satut** is executive director of Oficina Hispana, a non-profit educational and social service agency in Jamaica Plain. Term expires 1990.



**Richard A. Giesser\*** is president of the Small Business Foundation of America. He replaced Mr. Arata in October 1984. Term expires 1989.

*\*Mr. Giesser succeeds Mr. John Arata who resigned from the Board in September, 1984.*







Coopers & Lybrand,  
Independent Certified Public Accountants

Massachusetts Port Authority,  
Boston, Massachusetts

We have examined the balance sheets of Massachusetts Port Authority as of June 30, 1984 and 1983, and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Massachusetts Port Authority at June 30, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

Boston, Massachusetts  
August 24, 1984



**Balance Sheets**

June 30, 1984 and 1983

<b>Assets</b>	<b>1984</b>	<b>1983</b>
	(Dollar amounts in thousands)	
Cash (Note C)	\$ 575	\$ 886
Investments in U.S. Government obligations and certificates of deposit at amortized cost, which approximates market, including accrued interest (Notes C and G)	122,665	164,749
Accounts receivable, less allowance for doubtful accounts of \$767,000 in 1984 and \$436,000 in 1983	12,059	10,222
Prepayments and other assets	5,484	4,294
	<u>140,783</u>	<u>180,151</u>
Investments in facilities (Note D):		
Facilities completed:		
Airports	449,473	422,613
Bridge	59,340	57,320
Port (Note I)	114,838	107,338
	<u>623,651</u>	<u>587,271</u>
Less accumulated depreciation and amortization	(219,769)	(197,400)
	<u>403,882</u>	<u>389,871</u>
Construction in progress	31,235	39,242
Net investment in facilities	<u>435,117</u>	<u>429,113</u>
Total Assets	<u>\$575,900</u>	<u>\$609,264</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 13,981	\$ 11,036
Accrued pension cost (Note H)	6,409	6,692
Accrued interest payable	11,512	11,564
Notes payable (Notes E and G)	22,400	23,000
Funded debt (Notes F and G)	227,450	285,210
Total Liabilities	<u>281,752</u>	<u>337,502</u>
Deferred income	1,858	1,820
Contingent liabilities and commitments (Notes I, K and L)		
<b>Fund Equity (Notes B and C)</b>		
Retained earnings	251,669	230,250
Contributed capital, grants-in-aid of construction	40,621	39,692
Total Fund Equity	<u>292,290</u>	<u>269,942</u>
Total Liabilities and Fund Equity	<u>\$575,900</u>	<u>\$609,264</u>

The accompanying notes are an integral part of the financial statements.



**Statements of Income and Changes in Retained Earnings***for the years ended June 30, 1984 and 1983*

	<b>1984</b>	<b>1983</b>
	(Dollar amounts in thousands)	
<b>Revenues</b> (Note B):		
Tolls, fees and sales of services	<b>\$ 57,224</b>	<b>\$ 53,493</b>
Rentals	<b>27,216</b>	25,352
Concessions	<b>34,492</b>	29,780
Income on investments (Note A)	<b>16,116</b>	13,881
Other	<b>1,315</b>	881
Total Revenues	<b>136,363</b>	123,387
<b>Expenses</b> (Note B):		
Operations and maintenance	<b>48,793</b>	42,807
Administration	<b>15,062</b>	13,185
Insurance	<b>1,416</b>	1,406
Pension cost (Note H)	<b>2,896</b>	2,797
Interest (Note A)	<b>20,663</b>	17,742
In lieu of taxes (Note J)	<b>5,255</b>	4,981
Total Expenses	<b>94,085</b>	82,918
<b>Income before depreciation and amortization and extraordinary item</b>	<b>42,278</b>	40,469
Depreciation and amortization, including \$2,337,000 in 1984 and \$2,215,000 in 1983 on assets acquired with contributed capital, grants-in-aid of construction	<b>22,488</b>	20,948
<b>Net Income before extraordinary item</b>	<b>19,790</b>	19,521
Extraordinary item:		
Loss on extinguishment of debt (Note G)	<b>708</b>	—
<b>Net Income</b>	<b>19,082</b>	19,521
Add credit arising from transfer of depreciation to contributed capital	<b>2,337</b>	2,215
Retained earnings, at beginning of year	<b>230,250</b>	208,514
<b>Retained earnings, at end of year</b>	<b>\$251,669</b>	<b>\$230,250</b>

*The accompanying notes are an integral part of the financial statements.*



Statements of Changes in Financial Position

for the years ended June 30, 1984 and 1983

	1984	1983
	(Dollar amounts in thousands)	
<b>Funds provided from:</b>		
Net income before extraordinary item	\$ 19,790	\$19,521
Adjustments for noncash transactions:		
Depreciation and amortization	22,488	20,948
Loss on sale of equipment	—	19
Funds provided from operations before extraordinary item	42,278	40,488
Loss on extinguishment of debt	(708)	
Contributed capital, grants-in-aid of construction	3,266	6,455
Increase (decrease) in deferred income and liabilities other than funded debt and notes payable	2,648	(389)
Proceeds from sale of equipment	—	593
Total Funds Provided	47,484	47,147
<b>Funds applied to:</b>		
Cost of facilities	28,492	40,439
Retirement of funded debt	57,760	2,610
Reduction in notes payable (Note G)	600	—
Increase in other assets	3,027	744
Total Funds Applied	89,879	43,793
<b>Net increase (decrease) in cash and investments</b>	<b><u>\$ (42,395)</u></b>	<b><u>\$ 3,354</u></b>



## Notes to Financial Statements

The Massachusetts Port Authority is a public instrumentality created by an act of the legislature of The Commonwealth of Massachusetts (Enabling Act), effective June 21, 1956. The Authority has no stockholders or equityholders. The provisions of the Enabling Act and the 1978 Trust Agreement (Trust Agreement) with the Authority's bondholders govern the disposition of cash revenues to the various funds established under the Trust Agreement and restrict the use of such revenues credited to the various funds.

### A. Accounting Principles:

Facilities are carried at cost, and include the expenditure of Federal Aviation Administration and Economic Development Administration grants-in-aid of construction and the cost of significant renewals and betterments. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided on the straight-line method based on estimated useful service lives of the related assets beginning generally in the fiscal year during completion of construction. Depreciation has been computed on facilities which have been recorded in the accounts of the Authority, including those financed by grants for construction.

The Authority capitalizes interest in accordance with Financial Accounting Standards Board Statement No. 62 which requires the capitalization of interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of \$3,350,000 in 1984 and \$6,423,000 in 1983, reduced by interest income of \$1,402,000 in 1984 and \$4,411,000 in 1983, has been capitalized as a part of the cost of construction projects with a corresponding reduction of interest expense and income on investments included in the Statements of Income.

The adoption of these practices has no effect upon the disposition of cash revenues of the Authority which is determined in accordance with provisions of the Enabling Act and the Trust Agreement. (See Note B.)

Certain 1983 balances have been reclassified to conform with the 1984 presentation.

### B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement:

The provisions of the Enabling Act and the Trust Agreement with the Authority's bondholders prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement cash revenues of the Authority, after providing for required debt service costs on the Revenue Refunding Bonds, Series 1978, from pledged revenues, are transferred to the Operating Fund. After providing for operating expenses, including transfers to the self-insurance account, cash revenues are then transferred to the Port Properties Fund, the Maintenance Reserve Fund, the In Lieu of Taxes Fund, and the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are transferred to the Capital Budget Account.



Notes to Financial Statements

B. Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by The Trust Agreement, continued:

Presented below are the fiscal 1984 and 1983 revenue and operating expenses as determined in accordance with the Trust Agreement and a reconciliation to income before depreciation, amortization and extraordinary item as presented in the Statements of Income under Generally Accepted Accounting Principles (GAAP).

	Fiscal 1984						Fiscal 1983	
(Dollar amounts in thousands)								
	Port Properties*							
	Bridge	Airport Properties	Maritime	Development**	Facilities Management	Investment Income	Combined Total	Combined Total
<b>Revenues:</b>								
1978 pledged revenues	\$6,260	\$44,337	\$ —	\$ —	\$ —	\$16,077	\$ 66,674	\$ 59,987
Other	—	49,920	17,663	1,708	359	203	69,853	63,585
	<u>\$6,260</u>	<u>\$94,257</u>	<u>\$17,663</u>	<u>\$1,708</u>	<u>\$359</u>	<u>\$16,280</u>	<u>\$136,527</u>	<u>\$123,572</u>
<b>Operating expenses:</b>								
Operations and maintenance	1,683	29,731	15,608	1,719	52		48,793	42,788
Administration	997	9,779	3,483	652	151		15,062	13,185
Insurance	206	919	395	135	3		1,658	1,651
Pension (Note H)	296	2,129	563	169	22		3,179	3,064
Loss on sale of equipment	—	—	—	—	—		—	281
	<u>\$3,182</u>	<u>\$42,558</u>	<u>\$20,049</u>	<u>\$2,675</u>	<u>\$228</u>		<u>\$ 68,692</u>	<u>\$ 60,969</u>
<b>Excess of revenues over operating expenses under Trust Agreement</b>							\$ 67,835	\$ 62,603
Add: Difference on loss on sale of equipment (loss is greater under Trust Agreement than under GAAP)							—	262
Add: Self insurance cost (expensed under Trust Agreement; not an expense under GAAP)							242	245
Add: Pension cost variance (pension cost is greater under Trust Agreement than under GAAP)							283	267
Less: Payments in lieu of taxes (not an operating expense under Trust Agreement; expensed under GAAP)							(5,255)	(4,981)
Less: Interest on funded debt and notes payable, net of interest capitalized on projects under construction (not an operating expense under Trust Agreement; expensed under GAAP)							(20,663)	(17,742)
Less: Interest income included in pledged revenues (recorded as revenues under Trust Agreement; recorded as reduction of interest expenditure capitalized, not as revenue under GAAP)							(164)	(185)
<b>Income before depreciation, amortization and extraordinary item under GAAP</b>							<u>\$ 42,278</u>	<u>\$ 40,469</u>

\*None of the revenue from Port Properties is available for debt service other than for interest and principal for all bonds issued for paying the cost and improvements to Port Properties. Under the Enabling Act, the revenue from Port Properties, after certain deductions as defined therein, is to be paid to The Commonwealth of Massachusetts (Note I).

\*\*Development includes the activities related to the Authority's alternative use program, principally for Commonwealth Pier, Fish Pier and Hoosac Pier.



Notes to Financial Statements, continued

Under the provision of the Trust Agreement all revenues derived from operation of the Tobin Memorial Bridge, all aircraft landing fees and motor vehicle parking fees derived from the operations of the airport properties, and all income from investments held in all funds with the exception of the Construction Fund, Port Properties Fund and self-insurance account are pledged for the debt service requirements of the Revenue Refunding Bonds, Series 1978.

To the extent that pledged revenues exceed debt service requirements, they are available to meet operating expenses and for transfer to other funds. To the extent unexpended, these amounts continue to be available for the debt service requirements in any year. At June 30, 1984, unexpended pledged revenues remaining in fund balances, excluding the 1978 Debt Service Fund, were \$26,274,000.

C. Cash and Investments:

The following summarizes the Authority's cash and investments at June 30, 1984, by the various funds and accounts established under the 1978 Trust Agreement with the Authority's bondholders.

	Cash	Investments	Total
	(Dollar amounts in thousands)		
<b>Use defined for specific purposes*:</b>			
1978 Debt Service Fund	\$362	\$ 31,975	\$ 32,337
Operating Fund, including appropriations for self-insurance	29	4,631	4,660
Maintenance Reserve Fund	5	28,283	28,288
In Lieu of Taxes Fund	2	3,257	3,259
Improvement and Extension Fund	172	43,545	43,717
1982 Construction Fund	5	10,974	10,979
	<u>\$575</u>	<u>\$122,665</u>	<u>\$123,240</u>

\*See also Note B for the amount of unexpended pledged revenues at June 30, 1984.

D. Investments in Facilities and Depreciation:

Investments in facilities at June 30, 1984 and 1983, comprise:

	1984	1983
	(Dollar amounts in thousands)	
<b>Facilities completed:</b>		
Land and land improvements	\$ 79,175	\$ 75,963
Bridge and bridge improvements	58,496	56,550
Buildings	325,970	315,347
Runways and other paving	139,925	121,333
Machinery and equipment	20,085	18,078
Accumulated depreciation	(219,769)	(197,400)
	<u>403,882</u>	<u>389,871</u>
<b>Construction in progress</b>	<u>31,235</u>	<u>39,242</u>
	<u>\$435,117</u>	<u>\$429,113</u>

Asset lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Airport facilities—buildings, runways and other paving	10 and 25 years
Port facilities—buildings and piers	25 years
Machinery and equipment	10 years

E. Notes Payable:

The Authority has outstanding at June 30, 1984 short-term notes totaling \$22,400,000 with various maturities up to 360 days and interest rates from 5¼ % to 5⅞ % (See Note G). The notes are subordinated to bonds issued under the Authority's 1978 Trust Agreement and to certain other obligations. The notes are collateralized by a pledge, which is subordinated as described above, of all amounts on deposit in the Improvement and Extension Fund including amounts in the Capital Budget Account.

In connection with the issuance of these notes, the Authority obtained a commitment from a financial institution under which it may borrow under a revolving credit agreement up to \$24,000,000 solely for the purpose of paying maturing short-term notes. The Authority is required under the note agreement to borrow under the credit agreement to the extent that it does not have other moneys available to pay the principal and interest on the notes when due. There were no borrowings against this commitment at June 30, 1984.



Notes to Financial Statements, continued

F. Funded Debt:

Funded debt at June 30, 1984 (See Note G), is comprised of:

(Dollar amounts in thousands)

Revenue Refunding Bonds, Series 1978

Maturity on July 1	Interest Rate	Amount
<b>Serial bonds:</b>		
1984	5.80 %	\$ 2,935
1985	5.90	3,105
1986	6.00	3,300
1987	6.00	3,505
1988	6.10	3,720
1989	6.20	3,955
1990	6.30	4,000
1991	6.40	4,265
1992	6.50	4,545
1993	6.60	4,840
1994	6.70	5,165
1995	6.80	5,520
1996	6.80	5,905
1997	6.90	6,305
		61,065
<b>Term bonds:</b>		
1998-2012	7.125	166,385
<b>Total funded debt</b>		<u>\$227,450</u>

See Note B for revenues pledged as security for the 1978 Bonds.

G. Extinguishment of Debt:

On July 10, 1984, the Authority defeased by depositing cash and securities with a trustee all of its outstanding Revenue Bonds Series 1982 aggregating \$54,550,000. The defeasance and the resulting extraordinary loss of \$708,000 have been retroactively reflected in the financial statements as of June 30, 1984. In addition, the July 1, 1984 redemption of \$230,000 of Series 1982 Revenue Bonds and the required reduction in short-term notes payable on July 9, 1984 of \$600,000 have been reflected in accounts payable in the accompanying financial statements.

H. Pension Costs:

In July of 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 and signed into law on July 18, 1978. This enactment provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment Authority employees were members of the state employees' system and the funding of the pension liability was on a "pay as you go" method. Pursuant to this enactment the employees' present rights and benefits were transferred to the new system and the Authority established a separate pension fund. The Authority funds pension costs based on the actuarially determined annual pension expense which includes current service cost and the amortization, over a 20-year period, of unfunded prior service costs. This annual pension contribution, as actuarially determined, includes a factor for the reimbursement to the Commonwealth for amounts expended by the Commonwealth on account of the Authority's employees retired prior to January 1, 1979.

For the financial statements prepared in accordance with generally accepted accounting principles, pension expense includes current service cost and amortization of past service costs determined as of July 1, 1973, over a 25-year period commencing in fiscal 1974. Total pension expense so determined was \$2,896,000 in fiscal 1984 and \$2,797,000 in fiscal 1983.

The accumulated plan benefits and plan net assets at January 1, 1983 and 1982, are as follows:

Actuarial present value of accumulated plan benefits:

	1983	1982
Vested	\$20,730,061	\$24,774,131
Nonvested	360,584	869,484
	<u>\$21,090,645</u>	<u>\$25,643,615</u>
Net assets available for benefits	<u>\$20,762,392</u>	<u>\$15,589,427</u>

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits were 8 % and 6 % at January 1, 1983 and 1982, respectively.



Notes to Financial Statements, continued

**I. Contingent Liabilities and Commitments:**

**Payments to The Commonwealth of Massachusetts for Port Facilities:**

As consideration for the Port Properties acquired from the Commonwealth on February 17, 1959, the Authority is required by the Enabling Act to pay annually to the Commonwealth an amount contingent upon cash revenues from the Port Properties for the preceding fiscal year exceeding certain related cash expenditures until the Authority has paid an amount as defined in the Enabling Act. At June 30, 1984 the amount contingently payable to the Commonwealth, not reflected in the financial statements, aggregated \$17,880,000. Included in investments in facilities are payments of \$899,000 made to the Commonwealth for these Port facilities.

Cash expenditures from these properties exceeded related revenues by \$10,302,000 in fiscal 1984, which amount has been added to such prior years' deficiencies of \$61,145,000. The cumulative cash deficit of \$71,447,000 is to be applied against future Port Properties net revenues before payments are required in future years.

**Contractual Obligations for Construction:**

Contractual obligations for construction were approximately \$46,400,000 at June 30, 1984.

**J. In Lieu of Taxes:**

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements to make annual in lieu of tax payments to Boston, Chelsea and Winthrop.

These agreements and annual extensions currently provide for payments aggregating approximately \$5,250,000 to these cities, of which \$4,200,000 is subject to annual adjustment through 1988 by reference to an index related to the consumer price index and Logan airport commercial passenger enplanements.

The agreements extend from fiscal 1988 through fiscal 1993, although the amount of in lieu of tax payments during this extension period is subject to the results of best efforts negotiations. The annual payments are not to exceed the balance of revenues remaining after deposits to the 1978 Debt Service Fund, payments to the Commonwealth (see Note I), payment of operating expenses and the deposits to the Maintenance Reserve Fund.

**K. Litigation:**

On January 23, 1982, a DC-10 aircraft operated by World Airways, Inc., carrying 209 passengers and crew ran off the end of runway 15R into Boston Harbor while landing at the Airport. The accident resulted in considerable damage to the aircraft as well as numerous claims of injury. Two passengers remain missing and are presumed to be fatalities. To date 27 lawsuits have been filed by passengers naming the Authority as a direct defendant along with World Airways and/or the Federal Aviation Administration. Actions have also been brought against the Authority by each of the flight crew members for personal injury damages and by an aircraft equipment supplier for property damage. In addition, World Airways has filed a Third-Party Complaint against both the Authority and the Federal Aviation Administration (FAA) in eleven other cases as well as a separate direct complaint against the same defendants. The Third-Party Complaint in one of these cases as well as the direct complaint filed by World Airways seek \$75,000,000 in damages as a result of damage to and loss of use of the aircraft in question as well as indemnification or contribution from both third-party defendants for any sums World Airways is obligated to pay to passengers for personal injuries. In the other ten cases in which the Authority has been joined as a third-party defendant indemnification or other contribution are the only remedies sought by the third-party plaintiff. The Authority has filed appropriate responsive pleadings denying all liability and containing appropriate cross claims. In addition to the lawsuits, 17 claims arising out of this incident have been filed with the Authority to date.

The Authority's airport liability insurance policies in effect at the time of the incident consist of: (1) a primary policy with limits of \$3 million for property damage and \$5 million for bodily and personal injury and (2) an excess liability policy with a combined single limit of \$100 million. Although the outcome of this litigation cannot be predicted with certainty, based upon their investigation and preliminary analysis of the asserted claims the Authority's litigation counsel retained by its primary insurer believe that the Authority has meritorious legal and factual defenses to each of the cases and claims asserted to date. In addition, such counsel believe that existing levels of insurance (both primary and excess) are likely to be adequate to meet any liability on the part of the Authority for such claims. Although it is unable to predict the nature or amount of additional claims that may be asserted against the Authority in the future as a result of this incident, the Authority believes that existing levels of insurance are likely to be adequate to meet any liability on its part for all claims arising out of this incident. Accordingly, the Authority does not expect that these matters will require amounts to be paid, if any, which in the aggregate will have a material adverse effect on its financial condition.



## Notes to Financial Statements, continued

**L. Leases:**

The Authority leases a major portion of its Aviation and Port Properties to various tenants. These leases are accounted for as operating leases and most of them provide for periodic adjustments to base rental rates. Certain of the lease agreements provide for payments based on a specified percentage of the tenant's gross revenue subject to a minimum rental amount. Contingent rental income received from these leases was approximately \$13,418,000 in fiscal 1983 and \$15,225,000 in fiscal 1984.

Minimum future rentals for noncancelable operating leases as of June 30, 1984 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
	(Dollar amounts in thousands)
1985	\$ 19,378
1986	19,061
1987	19,503
1988	18,861
1989	18,785
Thereafter	<u>473,148</u>
	<u><u>\$568,736</u></u>

**Properties & Performance, FY84**

<b>Gross revenues, Authority-wide</b>		<b>\$136.5 million</b>
<b>Net revenues</b>		<b>\$67.8 million</b>
(Does not include in lieu of tax payments, interest on funded debt, or depreciation)		
<b>Logan International Airport</b>		
Total passengers		18.4 million
Domestic	16.3 million	
International	2.1 million	
Total cargo and mail		638.4 million pounds
Compliance with FAR, Part 36 federal noise standards		84 percent
<b>Hanscom Field, civilian</b>		
Total operations		229,000
<b>Port of Boston general cargo terminals</b>		894,813 tons*
Value	\$2.7 billion	
<b>Moran Container Terminal</b>		474,273 tons
Containers handled		39,085
<b>Conley Terminal</b>		420,540 tons*
Containers handled		22,861*
Imported automobiles		71,167 vehicles
<b>Tobin Memorial Bridge</b>		
Total vehicle crossings		28.1 million
<b>Boston Fish Pier</b>		
Fish processed		46.9 million pounds
Fish landed		18.8 million pounds
<b>Commonwealth Pier</b>		
Under development as BOSCOM		
<b>Hoosac Pier</b>		
Under development as Constitution Plaza		

\*Includes Massport Marine Terminal and berth leased to Sea-Land.